UNDP

UNITED NATIONS DEVELOPMENT PROGRAMME

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF CAMBODIA

IPF:(1987-91) $81 629 000

(CMB/92/001) - Macroeconomic Management and Training

Date of approval by the AC:[1]	8 April 1992
Expected duration:	Twenty months
Proposed executing agency:	The Asian Development Bank (ADB) in association with the International Monetary Fund (IMF)
Government implementing agency:	The Supreme National Council of Cambodia (SNC)
Proposed UNDP contribution:	$1 440 200 Source of funds: IPF
Total UNDP budget:	$1 440 200

Project background

Over the last few years, wide-ranging economic policy reforms have been instituted in Cambodia to transform the economy from a centrally-planned to a market-oriented economy. Private property rights were recognized constitutionally in mid-1989. As a result, the Cambodian authorities have transferred farmland to private ownership; and private sector trade started flourishing with the proliferation of many private small-scale traders. Price control and subsidies on most commodities were lifted, and a new foreign investment law allows for the establishment of joint ventures between the State and foreign companies. Privatization of state-owned factories and enterprises also began. In 1990, the dual exchange rate policy which allowed trade for government purposes to take place at a preferential exchange rate was dropped in favor of a unified exchange rate system.

Although these reforms have had a considerable favourable impact on the economy, many problems remain. The financial system is still underdeveloped, growing macroeconomic instability is threatening the program of economic reform, with the inflation rate accelerating from less than 10 per cent before 1988 to an estimated 100-150 per cent in 1990-1991. Besides the need to address macroeconomic imbalances and stabilize the economy, further improvements in the policy environment are necessary to encourage domestic and foreign investment, promote exports, and strengthen resource mobilization. To this end the Government requested UNDP assistance under the present approval.

At present, however, the effective management of the economy is severely constrained by: (1) the lack of expertise in economic management in a market-oriented system; (2) the

[1] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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lack of quantitative data upon which to base economic policies and plans; and (3) poor institutional support to economic management in a market-oriented economy.

Description of project

In order to assist Cambodia in its effort to effectively manage the economy and to support the economic reform process, a technical assistance package has been developed by UNDP and the Asian Development Bank (ADB) addressing four interrelated components : (1) An economic planning and policy analysis component which will assist Cambodian authorities to achieve more effective and efficient utilization of scarce resources and improve the economic policy environment; (2) A money and banking component which will strengthen the capacity of the monetary authorities to achieve macro-economic stability and foster an environment more conducive to effective mobilization and efficient allocation of financial resources in the economy; (3) A public finance component which aims to improve fiscal operations and reduce fiscal imbalances ; and (4) A statistics component which aims to strengthen the statistical system in order to make available economic statistics required to effectively manage a market-oriented economy and monitor the impact of development policies, programmes and projects.

At the end of the project, a data base of national economic statistics will have been established as well as a system to provide for the collection, maintenance, retrieval and update of such data on a continuing and sustainable basis. Furthermore, a set of advisory recommendations on macroeconomic policy reform, economic and industrial regulations, monetary and fiscal sector restructuring, private sector promotion policies, and public investment programming will have been developed. Finally, at least thirty economic planners and technicians will have been trained in methods of macroeconomic forecasting, analysis and policy determination.

For funding purposes the integrated technical assistance package has been divided into two components: (1) the long-term advisors, training seminars and workshops conducted by the long-term advisors, and the equipment needed for their daily functions will be funded by UNDP for a total of (US)$ 1.4 million; and (2) the short-term specialists, training and study tours conducted by the short-term specialists and the equipment needed for their daily operations will be funded by the ADB under a parallel funding agreement for a total of (US) $ 2.4 million.

Inputs

UNDP will provide 20 work-months for a CTA/senior macro-economist, 20 work-months for a fiscal economist, 20 work-months for a monetary economist, 20 work-months for a statistics advisor, and 100 work-months for 10 UNV statistics assistants; study tours and in-service training; expendable and non-expendable equipment; and miscellaneous costs.

Financial data

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Personnel	1 186 800
Training	145 000
Equipment	85 400
Miscellaneous	23 000
Total	1 440 200

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